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SIPDIS

SENSITIVE

USTR FOR RSMITH, SCRONIN

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TAGS: [ETRD](#) [BR](#) [FTAA](#)

SUBJECT: BRAZILIAN FTAA COORDINATOR ON A SOCIAL AGENDA FOR THE NEGOTIATIONS

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1. (U) Brazilian press reported on March 28 that President Lula wants to include discussion of social issues in the FTAA negotiations and that the GOB plans to submit proposals for doing so at the Trade Negotiating Committee (TNC) meeting in Puebla, Mexico April 7-11. In discussions with EconOff on March 31, Tovar da Silva Nunes, head of the FTAA Coordinating Office in the Ministry of Foreign Relations (Itamaraty), identified six social issues that the GOB will propose be addressed formally within the FTAA process: employment, environment, small and medium enterprises, poverty, family agriculture, and cultural values. (Note: the inclusion of family agriculture is consistent with recent statements by the Brazilian Agriculture Minister that indicate the GOB may be softening its opposition in trade negotiations toward certain domestic support programs that are designed to aid family farms.) The GOB also plans to propose that all FTAA market access offers be made available on the internet.

2. (SBU) According to Tovar, Brazil will be vetting a proposal to include discussion of these social issues within the FTAA with its Mercosul partners in meetings April 3-4 in Asuncion. He indicated that the GOB plans to put forward the concept in Puebla, with the expectation that consensus on establishing a mechanism may not be reached until the next TNC.

3. (SBU) Tovar suggested that one way these issues could be inserted into the FTAA process would be to hold separate, hemispheric conferences for each theme. The products of these discussions could then be provided to Ministers for their consideration, without obligation. "Brazilian civil society" reportedly identified these areas as those for which a better understanding of the implications of the FTAA are needed said Tovar without further elaboration. He claimed that the GOB does not have preconceived notions about what might emerge from such discussions. He also did not indicate if the intention is that this activity would fall under the existing FTAA Committee of Government Representatives on Participation of Civil Society.

4. (SBU) Tovar argued that discussions of these issues at a hemispheric level could yield a deeper, more valuable discourse, particularly since many issues transcend national boundaries. A widespread negative perception of the FTAA still persists in Brazilian civil society, largely, Tovar argued, out of fear of the unknown. He claims that what NGOs want is "access" to the process, to better understand it and its implications. While not expecting that the most outspoken critics will ever offer explicit endorsements of the FTAA, he confided that Itamaraty's objective is to at least mute their criticism by incorporating them into the process.

5. (SBU) COMMENT: Comments Tovar made suggest that the proposal also reflects the heavy burden that Itamaraty is being asked to take on regarding expanded domestic consultations. President Lula has publicly committed to national discussion and debate, not only on trade policy, but across the policy board. Especially on trade, however, where experience does not run deep in the PT government leadership, the President is determined to ensure that government actions are in tune with his social agenda, and to use expansive consultations to achieve that aim. Itamaraty feels under pressure to increase its outreach to NGOs, labor unions, the Church and other actors in civil society, as well as Congress. At the same time, it is having to expand internal government consultations. For instance, consideration is being given to expanding the GOB trade decision-making body (CAMEX) to include two additional ministries - Environment and Labor. (The six ministers that currently comprise CAMEX are Itamaraty; Development, Industry and Trade; Agriculture; Finance; Planning; and Casa Civil (Presidency)). Itamaraty may be hoping that a hemispheric process would help lighten the load of domestic consultation. However, Brazilian civil society may not be so easily co-opted. NGO reps have recently been quoted as complaining not about access to trade negotiators, but that their ideas have not been incorporated into Brazilian negotiating positions. END COMMENT.

16. (SBU) On market access issues, Tovar took the opportunity to state that Itamaraty is still in the process of explaining Brazilian offers and their implications internally to leaders in the new government, many of whom are uncomfortable with what they clearly do not understand. Itamaraty's tactic at this point is for Brazil to remain a participant within the process by submitting offers, but ones which will be very modest. For instance, its services offer is expected to merely reflect existing law, as will probably the investment and government procurement offers, although new carve outs to support small and medium enterprises and family farms may be included in the government procurement offer.

17. (SBU) The GOB hopes to convince its Mercosul partners this week to adopt the same minimalist approach. If successful, it will announce in Puebla its readiness to put forward services, investment and government procurement offers. Note: Brazil was able to persuade Argentina to hold back its services offer at the last minute in mid-February, but not Paraguay and Uruguay; it is unclear whether or not they will all follow Brazil's lead this time. Within the GOB, there is not uniform endorsement of the minimalist approach. Reportedly, the Finance Ministry (recognizing the benefits of expanded trade for the economy, according to Tovar) and the Agriculture Ministry (which wants increased access for competitive products) are pushing for more ambitious offers with Itamaraty and the Ministry of Development taking a more cautious approach.

18. (SBU) Meanwhile the Lula administration is reflecting on various scenarios concerning the FTAA, WTO and Mercosul-EU trade negotiations as it struggles to define a comprehensive trade strategy, a process they hope to complete within the next couple months. Tovar noted what he called progress made recently in the more advanced Mercosul-EU trade negotiations and indicated that movement in these talks in some ways will make it easier for the GOB to move in the WTO and FTAA, if in no other way, because of substantial technical work already completed by the GOB. Tovar voiced optimism that the GOB will be in a position to move more substantively on FTAA market access by the summer.

19. (U) Tovar also noted that the GOB was having difficulty evaluating the U.S. goods offer due to technical problems. In particular, he mentioned that the U.S. notified base rates using HS 2002 nomenclature, but that the offer was provided in 1996 nomenclature. According to Tovar, 924 products were notified for which they cannot find a corresponding tariff line in the offer, and there were 18 items where the converse is true. He also complained that the trade value statistics provided for the U.S. offer were for 2001 instead of 2002.

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